STATE OF VERMONT
PUBLIC SERVICE BOARD

Petition of Entergy Nuclear Vermont Yankee, LLC, and Entergy Nuclear Operations, Inc., for Approval of an Indirect Transfer of Control of Each Company, Consent to Pledge of Assets, Guarantees and Assignments of Contracts by Entergy Nuclear Vermont Yankee, LLC, and Amendment to the CPG of Entergy Nuclear Operations, Inc., to Reflect a Name Change, Replacement of $60 Million Guarantee with $60 Million Letter of Credit and Substitution of $700 Million Support Agreement for Two Inter-Company Credit Facilities	)	Docket No. 7404

RESPONSE OF ENTERGY NUCLEAR VERMONT YANKEE, LLC, AND ENTERGY NUCLEAR OPERATIONS, INC., AND ENEXUS ENERGY CORPORATION TO THE INFORMATION REQUESTS OF THE VERMONT PUBLIC SERVICE BOARD

This is the response of Entergy Nuclear Vermont Yankee, LLC (“EVY”), Entergy Nuclear Operations, Inc. (“ENO”) (EVY and ENO will be referenced collectively as “Entergy VY”), and Enexus Energy Corporation (“Enexus”) (EVY, ENO and Enexus are sometimes referenced collectively as “Petitioners”) to the Information Requests of the Vermont Public Service Board.

Some of the information requested by the Board is proprietary and confidential or seeks information about an exempt-wholesale-generator's costs, and this information is being provided under seal and subject to the Protective Agreement, dated as of April 4, 2008, approved by the Board in this docket on April 10, 2008 (the “Protective Agreement”). Some of the information requested, moreover, has not been disclosed publicly and would be material to the Form 10, as amended, filed by Enexus at the U.S. Securities and Exchange Commission.

As it is the Board that is requesting information that in some cases are subject to objections that the Board would decide if challenged by another party, Petitioners decided not to state specific objections in responding to each applicable Board request and have provided the information requested, redacting answers in the public version and producing under seal information and responsive documents that contain confidential or proprietary information. In so doing, Petitioners are not waiving its right in this or any other proceeding to state objections to discovery requests for information. Petitioners point out with respect to the responses hereby filed that the Protective Agreement establishes procedures by which a party may challenge information and documents that they have produced under seal.

Docket No. 7404
Response of Entergy VY to Board Questions
December 9, 2009

Q.PSB:EN-1: Please provide the most recent five-year financial projections (balance sheet, income statement, and statement of cash flows) for Enexus and for EquaGen with footnotes detailing key assumptions relevant to each line item.

A.PSB:EN-1: See Attachment A.PSB:EN-1 (confidential) for the most recent four-year financial projections. Also produced with A.PSB:EN-2.1 are documents that summarize and/or detail the forecasts and underlying assumptions. Although no forecasts exist for EquaGen, LLC, their financial results are reflected in the consolidated forecasts provided in Attachment A.PSB:EN-1 (confidential).

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-2: Please provide the most recent analysis and opinion of the proposed transaction by Standard & Poor's, Moody's, and/or Fitch Ratings. Please provide a copy of any rating agency presentations related to the amended proposal for the spin-off transaction. What indications have the rating agencies provided as to the likely credit rating for Enexus following the spin-off transaction? What indications have the ratings agencies provided with respect to the credit rating of Entergy Corporation ("Entergy") following the spin-off of Enexus?

A.PSB:EN-2: Petitioner's note that the rating agencies have not provided any public analysis or opinion of the proposed transaction ***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION *****

Entergy and Enexus have submitted information detailing the changes to the proposed reorganization to Moody's and Standard & Poor's ("S&P") to receive a rating on Enexus unsecured and secured debt in preparation for accessing the capital markets. See Attachment A.PSB:EN-2.1 (Rating Agency Submittals: Entergy and Enexus Assumptions & Base Case and Enexus Scenarios (confidential) (Oct. 2009); redacted versions of the Entergy and Enexus assumptions documents are provided as Appendix 1 in Attachment A.PSB:EN-27.12. Petitioners note that certain of the confidential financial information in Attachment A.PSB:EN-1 (confidential) has slightly updated assumptions relative to the information that was submitted to the rating agencies and that is available in Attachment A.PSB:EN-2.1 (confidential). Those changes are immaterial to the calculation of the relevant credit statistics noted below. Also produced are the most recent Moody's (Sept. 30, 2009), Fitch (June 18, 2009), and S&P (June 10, 2009) reports. See Attachment A.PSB:EN-2.2 (confidential).

Factors Supporting a Credit Rating for Enexus in the BB Category

Petitioners are confident that Enexus will receive a credit rating in the BB/Ba category from both S&P and Moody's, for two reasons. First, ***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION *****. Second, Petitioners' own analysis of Enexus' quantitative and qualitative characteristics relative to the agencies' announced ratings criteria show that Enexus fits within a BB/Ba or better category.

***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION ***** but also point out that Petitioners have taken steps to improve Enexus' financing capability and expected debt ratings since that time. These steps include a $1.0-billion reduction in unsecured debt, a substantial increase in liquidity and other changes.

***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted]

[redacted]

[redacted]

[redacted]

[redacted] ***** END CONFIDENTIAL INFORMATION *****

With respect to Petitioners' assessment of likely bond ratings, it must be emphasized that, while both major rating agencies have developed highly detailed lists of quantitative and qualitative factors for rating merchant power producers, both state that judgment enters into their final determinations. As a consequence, no one outside the agencies can mechanistically apply their criteria and necessarily arrive at the same ratings as would the agencies themselves. That said, Petitioners have assessed Enexus' financial statistics and qualitative characteristics against the rating agencies' criteria and have concluded that a bond rating in the BB/Ba category is appropriate. The analysis leading Petitioners to that conclusion is summarized below.

Petitioners believe that the most important factors that define Enexus' anticipated BB/Ba category credit rating are:

- Financial ratios focusing on debt/cash flow and cash flow to interest; and
- Liquidity, cash flow predictability, market position, financial policy and other qualitative factors.

Petitioners are confident that Enexus' financial ratios, liquidity resources, and other credit supportive features are consistent with a bond rating in the BB/Ba category. It should be noted that credit ratings for Enexus will be secured prior to the spin-off of the company. A rating in the BB/Ba category is a condition in Enexus' secured loan agreements.

Summary of Enexus' Positioning Against Moody's Ratings Criteria

Moody's looks at a variety of financial statistics as part of its determination of credit ratings. The financial metrics for companies in Moody's Ba category are shown in the table below.

*****BEGIN CONFIDENTIAL INFORMATION*****

[redacted]

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

*****END CONFIDENTIAL INFORMATION*****

The financial ratios for Enexus on the Moody's criteria are shown in the graphics below. (Please see Attachment A.PSB:EN-2.3 (confidential) for calculations of these financial statistics.)

*****BEGIN CONFIDENTIAL INFORMATION*****

*****END CONFIDENTIAL INFORMATION*****

As is evident from a comparison of Enexus' financial ratios with Moody's criteria, Enexus falls in or above the Ba category.

As noted earlier, Moody's also considers a variety of qualitative factors in arriving at its determination of final credit ratings. Petitioners believe that Enexus is strongly positioned on these factors.

Liquidity and Financial Policy

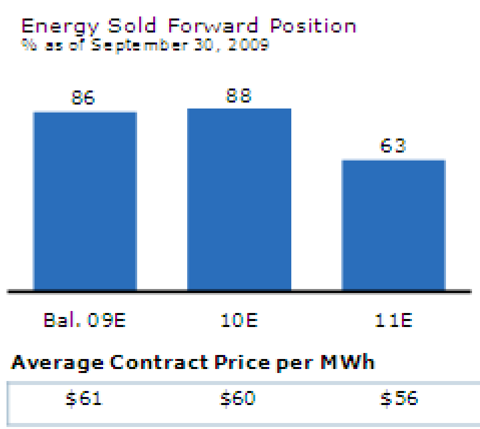
Petitioners believe that Enexus is very strong on the dimensions of liquidity and financial policy. Enexus' initial financial position and its financing strategy for the future have been specifically designed to ensure it will have the financial strength and flexibility to support its nuclear facilities, even under stressful economic conditions. Importantly, Enexus will not depend upon an ability to issue unsecured debt in difficult markets to finance needed reliability investments for its facilities. On the day of the spin, Enexus will have approximately $1.9 billion of net liquidity readily available, consisting of:

- Approximately $750 million of cash on hand; and
- Approximately $1.150 billion of available borrowing authority under its already committed Secured Bank Facility and Term LC Facility after anticipated support obligations are deducted

In addition, Enexus will have approximately $800 million of additional, secured-financing authority, resulting in a total at the time of spin-off of approximately $2.7 billion under its Secured Bank Facility, Term LC Facility, additional secured-financing authority and cash on hand.

<u>Characteristics of Assets, Market and Competitive Position, and Cash Flow Predictability</u>

Enexus' nuclear fleet has a demonstrated history of high availability and will sell base-load power into relatively high-priced wholesale markets. While prices in these markets are driven importantly by the price of the natural gas burned by other generators, and thus are somewhat volatile, the stability of Enexus' cash flows will be aided by significant power hedges Enexus has in place. Enexus' hedging position is summarized in the graphic below:



In summary, Petitioners conclude that, on both quantitative and qualitative dimensions, Enexus will be accorded a Moody's rating in the Ba category.

Summary of Enexus' Positioning Against S&P's Ratings Criteria

A first element in S&P's analysis is a determination of a company's financial risk profile based on selected "financial risk indicative ratios." The categories and rating criteria for each financial risk category are summarized in the table below.

*****BEGIN CONFIDENTIAL INFORMATION*****

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Enexus' financial statistics on two key measures employed by S&P are shown below. (See Attachment A.PSB:EN-2.1 (confidential) for calculations of these financial statistics.)

*****BEGIN CONFIDENTIAL INFORMATION*****

*****END CONFIDENTIAL INFORMATION*****

As is evident from comparing Enexus' FFO/Debt and Debt/EBITDA ratios shown in the graphics above with the S&P standards for a "significant" rating shown in the S&P table above, Enexus clearly fits into the "significant" category on the FFO and EBITDA dimensions. Although not pictured, Enexus is below the "significant" category on the Debt/Capital dimension. However, because Enexus' book value ratio is an artifact of Entergy's low original purchase price for the non-utility nuclear plants, Petitioners believe this measure is of lesser importance in determining credit ratings. ***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted]

[redacted] ***** END CONFIDENTIAL INFORMATION *****

S&P's Business and Financial Risk Profile Matrix

S&P also considers a variety of qualitative factors in determining a company's business risk profile and, ultimately, its credit quality. As shown in the table below, companies with a financial risk profile of "significant" and business profiles of "weak" or better and are rated in the BB category or higher.

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*****END CONFIDENTIAL INFORMATION*****

Petitioners, after considering the factors S&P uses in determining business risk, conclude that Enexus merits a business risk rating of "satisfactory." Enexus will operate a relatively small fleet of plants, all nuclear, in competitive power markets subject to considerable price volatility because of the volatility of natural gas fuel prices. On the other hand, the operational history of these plants is recognized by industry groups as excellent and, as a base load generator operating in relatively high priced markets, Enexus will benefit from a strong continuing stream of revenues and cash flows. In addition, because of its hedging strategy, Enexus will insulate itself from much of the near-term price volatility in its competitive power markets. *****BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION *****

Based on the foregoing evidence, Petitioners believe that S&P will award a rating in the BB category to Enexus.

Person Responsible for Response: Dean Keller; Andrew Marsh
Title: Executive Vice President, Finance; Vice President, Planning and Financial Communications
Date: December 9, 2009

Q.PSB:EN-3: On page 13 of his prefiled testimony, Mr. Keller refers to the estimates of investment-research firms that the enterprise value of Enexus may be in excess of $10 billion. Please provide copies of all research reports since October 1, 2008, that provide analysis or discussion of the value of Enexus following the proposed spin-off transaction.

A.PSB:EN-3: Enexus has located twenty reports from *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** See Attachment A.PSB:EN-3.1 (confidential), which summarizes the reports, and Attachment A.PSB:EN.-3.2 (confidential), which contains the reports located. Because these research reports are proprietary and are not disseminated to the general public, Enexus is providing them on a confidential basis and exclusively for use in this regulatory proceeding.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-4: What are the current best estimates of Entergy's investment advisors as to the range of market valuations for Enexus common stock following the spin-off? How does this market valuation compare with the estimates of Entergy's investment advisors at the time the original petition in this docket was filed?

A.PSB:EN-4: Petitioners' financial advisors have not provided current best estimates of market valuations for Enexus' common stock following the spin-off. In October 2007, Citigroup and Goldman Sachs made a presentation to the Board of Directors of Entergy Corporation containing a valuation analysis of Enexus using Discounted Cash Flow ("DCF") and trading multiples methodologies. These financial advisors estimated that Enexus' post-spinoff enterprise value would be between *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** billion and *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** billion (see Attachment A.PSB:EN-4.1 (confidential)).[1] This valuation analysis was necessarily based on economic, monetary, market and other conditions as in effect in and the information made available to the financial advisors as of October 2007 and does not reflect the current views of Petitioners or the financial advisors. Petitioners' financial advisors are expected to provide updated estimates of market valuations for Enexus' common stock at the time that the spin-off occurs, but are not providing updates of such valuations on an ongoing basis.

Nonetheless, Petitioners have recently prepared their own valuations of Enexus using the primary valuation methodologies employed by these advisors.

The first approach to valuation utilized by Petitioners applies EV / EBITDA (Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization) multiples taken from the market prices of comparable publicly traded companies to Petitioners' projections of Enexus' EBITDA. The second approach consists of a DCF analysis of Enexus' projected future cash flows. Both approaches incorporate alternative assumptions for key variables that are viewed as sound and reasonable by Petitioners.

The outcome of the analyses is a range of equity valuations for Enexus. The enterprise value range is from approximately *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** billion to approximately *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL**

[1] The financial advisors' valuation analysis was solely for the information of and assistance to the Board of Directors of Entergy Corporation in connection with its consideration of the matters referenced therein and may not be relied upon by any other person or used or relied upon for any other purpose. The valuation analysis was prepared and based on information obtained by the financial advisors from publicly available sources, Entergy's management (including financial projections, which include numerous and significant subjective determinations) and/or other sources. The financial advisors relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by them, and they do not assume any liability for any such information.

INFORMATION* billion and the equity value range is from approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion to approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion based on the EV / EBITDA multiples analysis (see Attachment A.PSB:EN-4.2(confidential)). The enterprise value range is from approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion to approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion and the equity value range is from approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion to approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion using the DCF methodology (see Attachments A.PSB:EN-4.3 & 4.4 (both confidential)).[2]

These analyses do not reflect the full potential valuation upside related to possible CO_2 legislation. The increase in power prices related to CO_2 legislation could add over $1.0 billion to the values just mentioned. *****BEGIN CONFIDENTIAL INFORMATION***** [redacted]*****END CONFIDENTIAL INFORMATION*****

Independent, third-party equity research reports, including the two just mentioned, provide an enterprise valuation of Enexus in the range from approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion to *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion, or an average of approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion. After

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[2] Petitioners note that, given the net debt of $2.9 billion and range of equity market values referenced above, this provides a strong value base for the capitalization of Enexus. Note that traditional utility credit analysis of book equity (book debt to capitalization) determinations can be misleading for a wholesale generation company like Enexus that purchased generation facilities. The low prices at which Entergy acquired its non-utility nuclear assets are reflected in the accounting book values of those assets and, as a result, the book value of Enexus' equity is substantially lower than its market value. Thus, Enexus' debt to total capital ratios based on book values are higher than the ratios based on market values. Nonetheless, debt ratios based on book values are of little or no importance for Enexus.

Book values are relevant for electric utilities because they are a determinant of revenues. The commonly accepted methodology for setting customer rates for regulated utilities is based on allowable returns on book equity, among other things. In contrast, the revenues of merchant generators like Enexus are based on the price of the electricity they sell into competitive power markets. These competitive power market prices are unaffected by the book value of the assets owned by Enexus or any other generator.

deducting Enexus' net debt (total debt less cash balances) of $2.9 billion,[3] these reports imply an average equity value for Enexus of approximately *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** billion.

Petitioners believe the difference in Enexus' enterprise value from October 2007 is primarily due to reduced market prices for power. For additional information regarding the changes in commodity/power prices, read the introductory paragraph of "OUR INDUSTRY" on page 93 of Enexus' Form 10 (Amendment No. 5) filed at the U.S. Securities and Exchange Commission ("SEC") as well as the "Our nuclear power plants are located in robust power markets" section on pages 105 and 106 thereof.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

[3] $3.5B long-term unsecured bonds + $0.5B shorter-term bonds - $0.5B cash collateral account -$0.75B initial unrestricted cash + $0.177B NYPA debt = $2.9B net debt.

Q.PSB:EN-5: Entergy previously explored with its investment advisors, and possibly has continued to explore with them, the merits of alternatives to a leveraged spin-off transaction of its non-utility nuclear business. Please provide the most recent assessment of Entergy's investment advisors as to the range of values that could be realized by Entergy through the sale of its non-utility nuclear business to an independent third party. How does this valuation compare to the assessment of such investment advisors at the time the original petition in this docket was filed?

A.PSB:EN-5: See A.PSB:EN-3 (confidential) for a range of potential valuations of Enexus. *****BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION *****

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-6: As set forth in Amendment No. 4 to the Form 10 filed by Enexus with the U.S. Securities and Exchange Commission on September 29, 2009 (“Form 10”), the exact financial terms of all the intercompany transactions between Enexus and Entergy have not been definitively determined (for example, the purchase price for additional assets of the non-utility nuclear business and the allocation of separation costs of between $430 and $450 million). Pro forma financial information based on the current proposal indicates that transactions associated with the separation will result in a net transfer from Enexus to Entergy of approximately $2.75 billion (in the form of the issuance of $2 billion of debt securities to Entergy, the payment by Enexus for additional non-utility nuclear assets and the settlement of intercompany debt and tax obligations). However, the dollar amounts shown in the pro-forma financial information included in Form 10 are all based on current expectations. Although there is nothing to indicate that any variability in these financial terms will be materially significant overall, please confirm this and provide an indication of the maximum and minimum range of any variability in the final financial terms on the overall pro forma financial effect on Enexus and its obligations going forward.

A.PSB:EN-6: The pro forma financial information included in the Enexus Form 10 is prepared in accordance with SEC regulations and generally accepted accounting principles, which require that the pro forma information be prepared as if the spin transaction had occurred on specific dates in the past. Accordingly, the adjustments and transactions that will be made when the spin actually occurs at a date in the future will necessarily be different than the adjustments reflected in the Form 10 pro forma’s financial information. These differences could be significant due to a number of uncertainties, including the actual date of the spin, future market conditions, results of operations through the date of the spin, and other factors, and it is impossible to quantify these potential differences due to the nature and extent of these uncertainties.

However, we do not anticipate any changes in the key terms of the spin or in the nature of the transactions and adjustments that will be made to accomplish the spin. For example, we do not anticipate changes in the amount of debt to be issued by Enexus, as reflected in the pro forma financial information. Additionally, the pro forma financial information assumes intercompany transactions, including the purchase of certain assets and the repayment or forgiveness of all intercompany receivables and payables, which will be structured to ensure the retention by Enexus of $750 million of unrestricted cash as of the date of the spin, and we do not anticipate any changes in these structuring assumptions.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-7: Does Enexus have current plans to raise additional equity capital through an initial public offering or through private placements of its common stock? The Form 10 indicates that the ability of Enexus to issue equity will be restricted under the exchange trust agreement with Entergy (see p. 39). Does this mean that Enexus will not be able to raise capital through common stock issuances for 18 months after the spin-off? Does the restriction on strategic transactions, including mergers and acquisitions, by Enexus mean that Enexus will not be able to be acquired by a third party or sell substantially all of its assets to a third party during this 18-month period? Will there be any restriction on stock issuances and strategic transactions following the end of the 18- month period (other than as provided in the Credit Agreement for the Secured Bank Facility)?

A.PSB:EN-7: Enexus does not have current plans or anticipate the need to raise additional equity capital through an initial public offering or through private placements of its common stock. However, Enexus anticipates filing a shelf-registration statement with the SEC promptly following the spin-off so that it will have standing SEC authority to publicly issue stock during that period.

In addition to the Credit Agreement for the Secured Bank Facility, two other agreements address transactions in Enexus common stock. One relates to tax matters in the context of the spin-off, and the other relates to security matters in the context of the exchange trust.

Prior to the spin-off, Entergy, Enexus and Enexus subsidiaries will enter into Federal and State Tax Matters Agreements ("Tax Agreements"). One purpose of the Tax Agreements is to ensure that both Entergy and Enexus continue to satisfy the tax requirements for a tax-free spin-off that include certain temporary restrictions on equity-related transactions by both Entergy and Enexus. These agreements are not currently in place but are expected to require Entergy's consent if, within 24 months following the spin-off, Enexus wishes to enter into certain transactions involving its capital stock, including but not limited to mergers and acquisitions, or to dispose of substantially all of its assets. Entergy's consent, waiving restrictions in the Tax Agreements, would likely occur if the transaction did not result in a reasonable possibility of disqualifying the tax-free character of the spin-off.

Prior to the spin-off Entergy, Enexus and Deutsche Bank will enter into a Trust Agreement governing the exchange of the 19.9% of Enexus shares for Entergy shares during one or more exchange periods. The duration of the trust is eighteen months by which time all the Enexus shares are expected to have been exchanged.

If Entergy waives a restriction in the Tax Agreements during the first eighteen months following the spin-off, pursuant to the Trust Agreement Enexus may conduct public stock offerings, but it may not conduct such public stock offerings at the same time that Entergy is conducting exchange offers. However, provided Entergy waives restrictions in the Tax Agreements, Enexus may conduct private stock offerings at any time during the eighteen months following the spin-off.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-8: There was testimony at the technical hearing in July 2008 suggesting that, regardless of its financial structure, Enexus would not be able to achieve an investment grade rating because of how the ratings agencies would assess the business risks associated with the ownership of a fleet of merchant nuclear plants. Without taking into account the ratings agencies negative assessment of these business risks, what overall financial structure and debt level for Enexus following the spin-off would generally be consistent with an investment grade rating?

A.PSB:EN-8: The tables below, which contain proprietary information of Standard & Poor's ("S&P"), illustrate S&P's criteria methodology for assessing business and financial risk. The rating agencies do not allow for the separation of business risk and financial risk when assessing the requirements to achieve investment-grade credit ratings. In fact, in some respects the business risk dictates what financial risk would be required to achieve investment-grade credit ratings. ***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION ***** Petitioners note that metrics and ratios are not the sole determiners of ratings, as S&P notes in the table below. "These ratings outcomes are shown for guidance purposes only. Actual rating should be within one notch of the indicated rating outcomes." Further, because Enexus' book value ratio is an artifact of Entergy's low original purchase price for the non-utility nuclear plants, Petitioners believe that the financial structure measure (Debt/Total Capital) is of lesser importance in determining credit ratings. ***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION ***** It should also be noted that this discussion is centered on Enexus' corporate and unsecured ratings; however, its secured ratings ***** BEGIN CONFIDENTIAL INFORMATION ***** [redacted] ***** END CONFIDENTIAL INFORMATION ***** Typically utility debt offerings are secured with first liens on assets.

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Person Responsible for Response: Dean Keller
Title: Vice President, Finance
Date: December 9, 2009

Docket No. 7404
Response of Entergy VY to Board Questions
December 9, 2009

Q.PSB:EN-9: The Board notes that minimal information has been provided as to the terms of the $3.5 billion of unsecured debt Enexus plans to place in connection with the spin-off transaction. Is there any prospective term sheet available as to the anticipated terms of such debt issuance that could be provided to the Board? If not, please outline, as specifically as possible, the likely terms of such debt issuance based on the recommendations and current forecasts of investment advisors to Enexus and lead placement agents for this debt.

A.PSB:EN-9: Term sheets have been prepared in connection with the issuance of the $3.5 billion of unsecured debt and are provided to the Board in Attachment A.PSB:EN-9.1 (confidential). Also, drafts of debt indentures and related documents pertaining to such unsecured debt have been largely completed, but the material terms will ultimately be included to reflect market conditions closer to the spin-off transaction. Attachments A.PSB:EN-9.2 and 9.3 (both confidential) contain the latest drafts of these documents, and Attachment A.PSB:EN-9.4 (confidential) is a summary of the terms of the Entergy Notes and the Enexus Notes. The interest rate and maturity of Enexus' unsecured debt will depend upon credit-market conditions prevailing at the time of issuance. Those conditions cannot be predicted with certainty at this time. However, Enexus' current expectation is that the interest rate, at issuance, will range from *****BEGIN CONFIDENTIAL INFORMATION*****[redacted] *****END CONFIDENTIAL INFORMATION*****fixed until maturity. The $3.5 billion of unsecured bonds will be issued in various amounts with maturities that range from *****BEGIN CONFIDENTIAL INFORMATION*****[redacted] *****END CONFIDENTIAL INFORMATION*****years. See A. PSB:EN-10 & 11.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-10: In the pro forma financial information included in Form 10, Enexus assumes a 9% annual interest rate on its $3.5 billion in unsecured debt. Please provide the basis and independent support for this assumption. Does Enexus anticipate a fixed rate on this unsecured debt until maturity? What are the most recent CDS (credit default swap) spreads the credit markets are projecting for this debt?

A.PSB:EN-10: The 9% annual interest rate on Enexus' $3.5 billion in unsecured debt is an assumption that was developed using market data provided by the company's advisors (see Attachment A.PSB:EN-10) for purposes of developing the company's financial forecasts, which also was the basis for the 9% annual interest rate used in the Form 10. The current expectation is that the coupon rate, at issuance, will range between *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** and that it will have a fixed rate until maturity. The $3.5 billion of unsecured bonds will be issued in various amounts with varying maturities (see A.PSB:EN-9 & 11). Since Enexus does not have any debt outstanding at this time, no CDS market exists for Enexus' debt.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-11: The original proposal for the spin-off contemplated maturities ranging from 10 to 12 years for the up to $4.5 billion of Enexus debt to be issued as part of the spin-off transactions with the possibility that some of the notes could have a term of approximately eight years. On page 9 of his prefiled testimony, Mr. Keller states that none of the notes "are expected to mature before 2015," which suggests that some of the notes making up the $3.5 billion of unsecured debt could have maturities as short as five years (and, possibly, less). Please provide additional and, if possible, more specific information about the anticipated maturity dates for this debt as well as the anticipated principal amount and interest rates associated with such maturity dates. Please also discuss the earlier and additional refinancing risks these shorter maturities seem to create.

A.PSB:EN-11: As noted, the $4.5 billion has been decreased by $1.0 billion to $3.5 billion.

While terms and conditions relating to the issuance of Enexus' bonds are subject to changes depending on market conditions prior to the spin-off, the $3.5 billion of unsecured debt is currently expected to have tenors ranging between *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** Subject to possible changes, Enexus currently contemplates the following amounts and tenors of the $3.5 billion of unsecured bonds:

- $1.5 billion with a *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** year maturity and with the debt *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION*****;

- $1.0 billion with a *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION** year maturity *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] ******END CONFIDENTIAL INFORMATION**; and

- $1.0 billion with a *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** year maturity *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION*****.

Based on expected market conditions at the time of issuance, the interest rates on the bonds are likely to range from *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** and have a fixed rate until maturity. Petitioners' expected rates and tenors are consistent with recent non-investment-grade transactions.[4]

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[4] See NRG Energy 8.500% Senior Notes due June 2019 issued in June 2009; see also CMS Energy 8.750% Senior Notes due June 2019 issued in June 2009.

The up to $500 million of bonds Enexus will issue to support its cash collateral Term LC Facility are contemplated to have up to a *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** year maturity, which is consistent with Mr. Keller's testimony. The interest rate on these bonds is also subject to changes depending on market conditions prior to the spin-off but are currently expected to range from *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** and have a fixed rate until maturity.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-12: To what extent does Enexus anticipate that it will be required to repay principal on the $3.5 billion debt issued in connection with the spin-off? Does Enexus anticipate that the entire $3.5 billion of debt will be refinanced as the debt becomes due?

A.PSB:EN-12: The $3.5 billion of unsecured bonds will have varying maturities (see A.PSB:EN-11). Enexus will be contractually obligated to repay the principal amount of the $3.5 billion of unsecured debt as each bond matures. However, Enexus anticipates that it will refinance most, but perhaps not all, of the debt as it matures. Ultimately, market conditions, the financial needs of Enexus and various other factors will be considered when deciding the amount of debt that will be refinanced.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-13: Please provide additional information about the anticipated terms of the $500 million of debt securities that will be issued by Enexus, in addition to the $3.5 billion unsecured debt, as part of the proposed transactions. Together, these issuances will result in a total of $4.0 billion of new Enexus debt outstanding following the spin-off. The Board understands that the proceeds from the issuance of these debt securities will be used to provide cash collateral for reimbursement obligations of Enexus under letters of credit. However, other than the proposed use of proceeds, it is not clear how these debt securities are distinguishable from the $3.5 billion of debt securities. Pro forma financial information in the Form 10 indicates that Enexus anticipates a 9% interest rate on these debt securities, but no other anticipated terms are provided.

A.PSB:EN-13:

Purpose: The up to $500 million of unsecured debt securities will be issued solely to fund a trust-type collateral account in support of Enexus' Term LC Facility. The purpose of the Term LC Facility is to support non-commodity and commodity-collateral-support obligations and other potential liability commitments.

Tenor: The up to $500 million of unsecured debt securities will be shorter than the $3.5 billion unsecured bonds. Ultimately, the tenor will be determined by market conditions, but Enexus anticipates that such debt securities will have up to a *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** year tenor.

Interest Rate: The current expectation is that the coupon rate at issuance will range between *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION*****. Once the up to $500 million of unsecured debt securities are issued, Enexus' interest expense will be fixed and will not vary based on market conditions, rating changes or the credit profile of the company.

Interest Income: The cash collateral account will be invested and earn interest income.

Use of proceeds: *****BEGIN CONFIDENTIAL INFORMATION***** [redacted]
*****END CONFIDENTIAL INFORMATION*****

Currently, it is unknown whether Enexus will need to refinance any of the $500 million of unsecured debt as it matures. Some of the reimbursement obligations that are supported by the cash proceeds in the cash collateral account might expire, and hence the $500 million of unsecured debt might not need to be refinanced. Ultimately, the financial needs of Enexus will be considered in deciding the amount of debt that will be refinanced.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-14: Do the credit support obligations related to this $500 million debt issuance result from the anticipated credit rating of Enexus? The pro forma financial information in the Form 10 assumes that Enexus will pay a 9% annual interest rate on this debt and that the proceeds of the issuance held as collateral for reimbursement obligations will be invested at a 3.2% annual rate, which suggests a considerable annual cost to Enexus. To what extent are similar credit support obligations now being met through an Entergy guarantee?

A.PSB:EN-14: The credit-support obligations related to the up to $500 million Term LC Facility (to be funded with the proceeds of shorter term unsecured borrowings) result from Enexus' forward power-sales agreements and its other credit arrangements for which credit support is required rather than from the anticipated credit rating of Enexus (although Enexus' anticipated credit rating reflects, among other factors, its expected credit-support obligations and its financial arrangements for providing such support). Specifically, the Term LC Facility is expected to be utilized to address reimbursement obligations for both non-commodity and commodity credit-support needs. Accordingly, the up to $500 million Term LC Facility will be utilized to increase Enexus' financial strength and flexibility.

Currently, Entergy is able to meet some of its reimbursement obligations with parental guarantees, but the use of these guarantees restricts Entergy's overall liquidity even in normal, non-stressed conditions because of the possibility that these guarantees could be "called on." Entergy also charges its business units (including the non-utility nuclear facilities) for the use of parental guarantees. While Entergy's credit rating enables it to meet similar credit-support obligations through a parent guarantee, it should be noted that parental guarantees also have a cost in terms of the potential financial health of a company in stressed situations. For example, if Entergy were downgraded, Entergy likely would be required to provide a form of financial assurance other than a parent guarantee to support its reimbursement obligation for many of the obligations it currently supports with guarantees. Furthermore, Entergy's parent guarantees count as debt and therefore create challenges under Entergy's 65% debt test as the amount of those guarantees rises with commodity prices.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-15: The petitioners seek consent under 30 V.S.A. §§108 and 231 for EVY to issue guarantees, pledge its assets and assign its material contracts to support debt obligations of Enexus. It appears that EVY will issue a guarantee, pledge assets and assign contracts under the Secured Bank Facility, which will be available to Enexus for general working capital purposes, including reliability investments in the Vermont Yankee Nuclear Power Station (the "VY Station"). What other Enexus obligations, if any, will be supported by EVY guarantees, pledges or assignments?

A.PSB:EN-15: Each of Enexus' subsidiaries, including EVY, will pledge their assets as collateral for and to secure their guarantee of the intercreditor indebtedness, which comprises the direct, lien-supported power-sales agreements (see A.PSB:EN-18), the $1.2-billion Secured Bank Facility and the up to $800 million of additional, secured-financing authority that has been requested. All of Enexus' subsidiaries, including EVY, will also guarantee the up to $3.5 billion of Enexus' long-term, unsecured bonds as well as up to $500 million of shorter-term, unsecured bonds used to fund the Term LC Facility, but the subsidiaries, including EVY, will not pledge their assets to secure the bonds.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-16: Will any portion of the $1.175 billion Secured Bank Facility be committed immediately following the spin-off? What are the specific known uses, including the estimated dollar amount of such uses, to which this facility is expected to be applied in the first year after the spin-off? Enexus currently anticipates capital investments of $361 million in 2010 and $356 million in 2011 (see p. 77 of Form 10). Will these investments be funded through anticipated cash flows, the Secured Bank Facility or otherwise? Please provide a specific "Sources and Uses" statement that delineates the proposed uses for both the Secured Bank Facility and the up to $4.0 billion in unsecured debt.

A.PSB:EN-16: The Secured Bank Facility was amended on October 1, 2009, and increased to $1.2 billion. The primary purpose of the Secured Bank Facility is to provide liquidity to supply credit support to Enexus' hedge counterparties for the movement in power prices and fluctuations in working capital. It is estimated at this time based upon current power prices and other expected needs that less than *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** million of the Secured Bank Facility will be drawn on the day of the spin-off to support commodity-related, credit-support need. This *****BEGIN CONFIDENTIAL INFORMATION*****[redacted]*****END CONFIDENTIAL INFORMATION***** million of commodity-related, credit-support need could alternatively be funded in whole or in part from Enexus' cash balance. The commodity-credit support needed fluctuates with the market price of power and could change by the time of the spin-off and thereafter. Since power prices fluctuate, it is unknown how much the Secured Bank Facility will be utilized during the first year.

The capital-investment needs of Enexus (including the capital investments in 2010 and 2011 identified in the SEC Form 10) are expected to be funded through cash flow, cash on hand and possibly from drawing on the Secured Bank Facility. Cash is fungible, and therefore the particular sources of funds used for investments are difficult to identify with any reasonable degree of accuracy, especially far in advance of the actual expenditures. Utilizing cash on hand and cash from operations is usually the least expensive option for a company, so those options will likely be utilized before the Secured Bank Facility.

From an overall perspective, the spin-off is a reorganization that will result in the separation of two lines of business into two separate companies. The separation will be accomplished in a number of ways, including transfers of cash, repayment of intercompany debt and the issuance of debt securities. Accordingly, the sources and uses of particular funds cannot be discretely separated from the entirety of these transactions. Subject to these qualifications, the pro forma balance sheet included in Amendment No. 5 to Enexus' SEC Form 10 (November 20, 2009) reflects the transactions and adjustments that would have taken place had the spin actually occurred on September 30, 2009. Simplistically and based on this pro forma, approximately $2.0 billion of unsecured bonds will be issued by Entergy, which will be exchanged for Enexus debt securities at the spin-off. The proceeds of such bonds are expected to be used to pay down existing Entergy debt. Of the approximately $1.5 billion of remaining unsecured bonds to be issued by Enexus, approximately $750 million is expected to be retained by Enexus as cash on hand, and the remaining approximately $750 million is expected be distributed to Entergy to effectuate the transaction

As further described in A.PSB:EN-13, the net proceeds from the up to $500 million unsecured debt securities will be deposited into the collateral account that will reside with a bank and will be used exclusively as collateral for such bank to issue letters of credit on behalf of Enexus.

See Attachment A.PSB:EN-16.1 (confidential) for a Sources & Uses table as of the spin-off date; Attachment A.PSB:EN-16.2 (redacted) is a public version of the Sources & Uses table. See also the base-case forecast provided as Attachment A.PSB:EN-27.5 (confidential) for Enexus' base-case projections of sources and uses.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-17: The Secured Bank Facility and the reserved secured financing authority of $825 million will be generally available, subject to certain restrictions, for working capital purposes. There appears to be no limitation on the use of these funds, for example, for acquisitions or investments unrelated to the core business of Enexus so long as Enexus is in compliance with applicable covenants. What assurances can Enexus provide that these facilities will be available for reliability investments as needed? Is it the current intention of Enexus to maintain a similar secured bank facility in place for working capital purposes for many years beyond the current term of the Secured Bank Facility set forth in the amended credit agreement with the banks? Please discuss the ability of Enexus to renew or replace the Secured Bank Facility and the reserved secured financing authority at the end of their terms.

A.PSB:EN-17: Enexus anticipates that it will continue to have a bank facility beyond the current term of the Secured Bank Facility. Enexus is confident in its ability to renegotiate its Secured Bank Facility at the end of its term based on the fact that it successfully obtained the Secured Bank Facility initially in December 2008, in the midst of the most challenging financial market conditions in decades, and that it successfully renegotiated a recent extension of that credit facility, with the lenders increasing their commitment to $1.2 billion. The credit markets have thus confirmed the strength of Enexus' credit metrics and overall financial capability to operate the non-utility nuclear facilities.

As further described in A.PSB:EN-30, by conscious design Enexus was structured financially to have the ability to fund reliability investments in its nuclear facilities without having to rely upon unsecured, long-term bond markets even in the most challenging economic conditions. Specifically, on the day of the spin Enexus will have approximately $1.9 billion of net liquidity readily available, consisting of:

- $750 million of cash on hand; and

- Approximately $1.150 billion of available borrowing authority under its already-committed, $1.2-billion Secured Bank Facility and Term LC facility, after anticipated support obligations are deducted (the difference reflecting expected collateral support requirements).

In addition, Enexus will have approximately $800 million of additional secured-financing authority as discussed further below. Thus Enexus will have at the time of the spin-off a total of approximately $2.7 billion under its Secured Bank Facility, Term LC facility, additional secured financing authority and cash on hand, providing fully adequate resources to fund reliability investments.

Limitations on Enexus' use of the $800 million of reserved, secured-financing authority would not result in more reliable operation of Enexus' nuclear facilities. Enexus has a powerful incentive to retain this financing authority to ensure the safe, secure and reliable operation of those facilities upon which its business depends. This reserved financing authority provides Enexus important financial flexibility if stress situations arise. If conditions were imposed on the use of this financing authority, Enexus' ability to address such stress situations, which can arise with little or no notice, could be delayed, resulting in less reliable operation of Enexus' facilities. It is critical that Enexus retain timely and flexible access to the $800 million of reserved financing authority in order to operate in the competitive wholesale-power markets and to meet potential financial needs (including reliability investments) should they arise (subject to compliance with the financial covenants in Enexus' $1.2 billion Secured Bank Facility). Due to Enexus' strong collateral value and low leverage, the $800 million of reserved, secured-financing authority is likely to remain accessible to Enexus even during conditions of credit market turmoil, providing additional financial strength and flexibility.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-18: On page 12 of his prefiled testimony, Mr. Keller states: "Enexus is in the process of negotiating collateral-credit-support arrangements where certain counterparties will accept a secured claim on the assets instead of direct collateral posting. This is an important part of Enexus' liquidity plan." What is the status of these negotiations at this time? If negotiations fail, will Enexus be forced to earmark a portion of the $2.0 billion Secured Bank Facility to support those hedging transactions, thus lessening available liquidity?

A.PSB:EN-18: By way of clarification, the Secured Bank Facility currently is $1.2 billion and not $2.0 billion.

As previously stated, Enexus has and will enter into collateral credit-support arrangements with some of its hedge counterparties. The hedge counterparties will accept a lien on Enexus assets when credit support is needed.

To date, Enexus has completed negotiations with two different hedge counterparties. *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** megawatts per month for 2010 and 2011 have been contracted with one hedge counterparty. The other counterparty has agreed to the documentation of the collateral credit-support arrangement for future forward sales, but Enexus has not yet executed such a sale with this counterparty. Enexus continues to work with these and other hedge counterparties as new contracts are put in place.

As mentioned in Mr. Keller's testimony, collateral credit-support arrangements are part of Enexus' liquidity plan. However, the purpose of Enexus' Secured Bank Facility includes providing liquidity support for Enexus' hedge counterparties and fluctuations in working-capital needs. As such, the Secured Bank Facility has been sized to ensure that Enexus has sufficient liquidity to support both its hedging transactions and working-capital needs.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-19: The Form 10 (p. 79) refers to a $530 million loan by Enexus to Entergy in August and September 2009 as part of a $600 million credit agreement expiring in August 2014. Please explain the reasons for this loan and the anticipated date of repayment by Entergy.

A.PSB:EN-19: To return capital to Entergy during the summer of 2009, $530 million (of the total $610 million) was returned from Entergy Nuclear via loan repayments to ENF LLC, which in turn loaned the same amount to Entergy Corporation. The ENF LLC to Entergy Corporation loan was disclosed on pg. 79 in the Management discussion to the historical financial data of the SEC Form 10 (Amendment No. 4) as Enexus' historical data is comprised of the Entergy Nuclear companies as well as ENFHI and its subsidiary ENF LLC. Neither ENFHI nor ENF LLC, however, will be part of Enexus after the spin transaction; instead, they will stay with Entergy. Therefore, this loan is not included in Enexus' pro forma balance sheet within the Form 10 and will not be required to be repaid post separation. Entergy anticipates that any Enexus receivables remaining after the proposed restructuring would be more than offset by payables to Entergy and that these net payables would be forgiven.

Person Responsible for Response: Andrew Marsh
Title: Vice President, Planning and Financial Communications
Date: December 9, 2009

Q.PSB:EN-20: Subparagraph 1.1 of the MOU requires Enexus and EVY to establish a $100 million Working Capital Facility, and subparagraph 1.2 provides that the Working Capital Facility "may be used by EVY for cost-justified and economic non-safety projects for VY Station such as critical reliability projects." In his prefiled testimony, Mr. Keller indicates that the establishment of this facility "is meant" to address the DPS's concerns that Enexus is not obligated to loan funds to EVY under the Support Agreement for economic reliability investments that are not necessary to meet NRC requirements. Do Enexus and EVY intend and believe that the DPS will have an enforceable right under the MOU to require EVY to borrow (and Enexus to lend) funds under the Working Capital Facility for reliability projects at the VY Station that "are cost justified and economic to EVY" even if opposed by Enexus (as not in its own best interest)? If not, what is the practical value and benefit of the Working Capital Facility in the parent and wholly-owned subsidiary context? With or without the Working Capital Facility, Enexus will presumably make funds available to EVY through capital contributions or loans for any improvement at the VY Station that Enexus believes is in the best interest of Enexus, assuming it has the funds or access to the funds at acceptable costs.

A.PSB:EN-20: The MOU does not create any enforceable rights on the part of the Department of Public Service ("DPS"). Subparagraphs 1.1 and 1.2 of the MOU are intended to provide EVY with access to funds for economic reliability investments under Enexus' ownership to replace the access to funds that EVY now has under Entergy Corporation's current ownership. The Working-Capital Facility permits EVY to borrow up to $100 million from Enexus, which replaces the inter-company credit facilities that now permit EVY to borrow up to $35 million for working capital from Entergy Global, Inc., and from Entergy International Holdings, LLC, for capital to operate the VY Station after a permanent cessation of operations at the VY Station.

The DPS does not now have an enforceable right to require EVY to borrow or to require Entergy Global, Inc., or Entergy International Holdings, LLC, to lend funds for reliability projects at the VY Station that are cost justified and economic to EVY. Under Enexus' ownership the capital available to support the VY Station (not including the $700-million Support Agreement) will be greater than is available to EVY under Entergy Corporation's ownership today, and Enexus will use these and other credit facilities to make economic, cost-justified investments in the VY Station.

Person Responsible for Response: Jay K. Thayer
Title: Vice President–Nuclear Operations
Date: December 9, 2009

Q.PSB:EN-21: Would Enexus and EVY oppose a mechanism that could be enforced by the DPS or the Board (similar to the mechanism for safety improvements under federal law) that would require officers of EVY to borrow funds from Enexus under the Working Capital Facility for economic reliability investments?

A.PSB:EN-21: See A.PSB:EN-20. Enexus and EVY oppose a mechanism that could be enforced by DPS or the Board that would require officers of EVY to borrow funds from Enexus under the Working-Capital Facility for economic reliability investments. Such a mechanism would have to be based on the premise that economic reliability investments do not implicate nuclear health and safety that are subject to the exclusive jurisdiction of the Nuclear Regulatory Commission and otherwise are consistent with federal law. We seriously doubt that a workable mechanism could meet these requirements and even more seriously doubt that we could operate the VY Station under such conditions. Moreover, such a requirement could force EVY management to commit substantial time and resources to administrative proceedings to resolve competing claims over whether particular projects are economic and cost-justified, thereby preventing it from devoting its full time and attention to maintaining the safe, secure and reliable operation of the VY Station.

Person Responsible for Response: Jay K. Thayer
Title: Vice President–Nuclear Operations
Date: December 9, 2009

Q.PSB:EN-22: To ensure that funds were available under the Working Capital Facility, would Enexus oppose a requirement that Enexus set aside up to $100 million in trust that would be available to fund the Working Capital Facility?

A.PSB:EN-22: Enexus opposes a requirement that it set aside $100 million in trust to fund the Working-Capital Facility. Subparagraphs 1.4, 1.5 and 1.6 of the MOU reflect the product of negotiation and agreement between the DPS and Enexus regarding the financial support to be provided by Enexus for the Working-Capital Facility. Imposing upon Enexus the additional obligation to set aside $100 million in trust would undercut that agreement, reduce Enexus' liquidity, impose substantial costs (because the returns earned on any trust investments would be substantially less than Enexus' cost of capital) and reduce Enexus' flexibility to address financial contingencies that may arise.

Person Responsible for Response: Jay K. Thayer
Title: Vice President–Nuclear Operations
Date: December 9, 2009

Q.PSB:EN-23: Please provide term sheets for LoC #1 and, if available, LoC #2. Will the $60 million letter of credit (LoC #1) be issued prior to the closing of the spin-off transaction? Will both letters of credit be irrevocable and unconditional, that is, for example, not subject to any conditions related to the financial health of any entity or the value of any supporting collateral? Will Enexus have the repayment obligation with respect to drawdowns by EVY on the letters of credit? What assurance can Enexus and EVY provide that EVY will drawdown on the letters of credit under the circumstances contemplated by the MOU? Under the MOU, do Enexus and EVY believe that EVY will have an obligation enforceable by the DPS to drawdown on the letters of credit as contemplated by the MOU?

A.PSB:EN-23:

a) While letters of credit ("LoCs") do not have term sheets per se, their terms are defined by those of the underlying bonds or credit facilities that provide the underlying financial support. Therefore, the terms for LoCs will be defined by the $500-million, shorter-term and unsecured bonds. While term sheets for these bonds do not currently exist, Enexus expects that such terms will be similar to those of the $3.5 billion unsecured bonds (see Attachment A.PSB:EN-9.4 (confidential)). Currently, it is estimated that the shorter-term, unsecured bonds, the proceeds of which will be used to cash collateralize the Term LC Facility, will have up to a *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** year tenor and will have an interest rate between *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** (seeA/PSB:EN-13 for more details on the up to $500 million of unsecured bonds).

b) It is anticipated that the $60 million letter of credit ("LOC #1") will be issued on the day of the spin-off.

c) LoC#1 and LoC#2 (to the extent the latter is required) are expected to be irrevocable and thus will not be subject to revocation by the issuing financial institution based upon any conditions related to the financial health of Enexus, EVY or any of their affiliates or upon the value of any supporting collateral.

d) Enexus will have the repayment obligation if the letter of credit is drawn by EVY.

e) The same assurance exists that EVY will draw upon the LoCs as now exists that EVY will draw upon its support agreements with Entergy Global, Inc., and Entergy International Holdings, LLC. In both cases, Entergy and Enexus have the incentive to support investments in VY Station that are economic and cost-justified as well as the obligation to make expenditures for the VY Station that are required by law.

f) Enexus and EVY do not believe that EVY will have an obligation enforceable by the DPS to draw upon the LOCs provided under the MOU. EVY does not now have an obligation enforceable by the DPS to draw upon its support agreements with Entergy

Global, Inc., and Entergy International Holdings, LLC. Enexus and EVY believe that the MOU and the LOCs are intended to address concerns about the availability of funding for EVY under Enexus' ownership, not to create a new EVY obligation.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-24: Does Enexus currently expect that it will have a S&P BB+ credit rating or higher prior to January 1, 2014? If so, what is the basis for this expectation?

A.PSB:EN-24: Enexus cannot predict whether it will achieve the rating by January 1, 2014. Other than the less-weighted debt/capital ratio, however, Enexus expects to have ratios consistent with S&P's "significant" category of financial-risk indicators according to current forecasts and with "Power Companies" in Moody's Ba range for financial-strength metrics. These ratios are consistent with those of other investment-grade, wholesale-power-generation entities. Also, by 2014 Enexus will have an established operating track record as owner, which should give increased assurance to the rating agencies. It should also be noted that this discussion is centered on Enexus' corporate and unsecured ratings, however, its secured ratings *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** Typically utility debt offerings are secured with first liens on assets.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-25: Under the MOU, Enexus commits to maintain a minimum liquidity of $350 million. However, it appears that Enexus will only be able to meet this commitment if its financial circumstances permit it to do so. If the financial condition of Enexus deteriorates significantly and the Secured Bank Facility is not available, how will Enexus be able to fulfill this commitment? How will the DPS and the Board be able to enforce that commitment, as a practical matter, in any meaningful way if Enexus is not financially able to do so? It is not clear how to value this and other financial undertakings in view of the difficulty or impossibility of effectively enforcing compliance with such commitments when it matters the most, and recent experience has reinforced this concern. Please discuss.

A.PSB:EN-25: This request hypothesizes a scenario where "the financial condition of Enexus deteriorates significantly" (presumably exhausting its unrestricted cash resources) and "the Secured Bank Facility is not available." That outcome presupposes a situation where Enexus' revenues decrease and/or costs increase to such an extreme extent that the business lacks sufficient liquidity to continue to operate. As the scenario analyses provided in A.PSB:EN-27 show, Enexus will have sufficient liquidity and secured borrowing authority to withstand extremely severe financial stresses. The circumstances posited by this question therefore are very unlikely.

Under the posited circumstances, however, Enexus probably could not comply with its minimum liquidity commitment. It is important to recognize, nonetheless, that Vermont has no assurance of adequate financial support for the VY Station from Entergy Corporation under such circumstances. In such circumstances, Entergy Corporation may choose to seek Chapter 11 protection for its non-utility, nuclear subsidiaries rather than placing all of Entergy Corporation at financial risk, just as it did when Entergy New Orleans, Inc., faced extreme financial circumstances due to the damage caused by Hurricanes Katrina and Rita. Chapter 11 protection thus may be the only available recourse to deal with the extreme hypothesized circumstances, whether the VY Station is owned by Enexus or by Entergy Corporation.

Under most reasonably foreseeable circumstances, however, Enexus' minimum liquidity commitment provides an important measure of financial assurance of the VY Station's continued reliable operation, which is not now available under Entergy's ownership. See A.PSB:EN-17 & 27 for a description of Enexus' liquidity.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-26: We note that, under certain circumstances, Enexus may have to acquire either Entergy's 50% interest in EquaGen LLC ("EquaGen") or certain subsidiaries of EquaGen. Based on financial information as of June 30, 2009, what would be the estimated cost to Enexus of acquiring Entergy's 50% interest in EquaGen?

A.PSB:EN-26: Within the draft "AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT of EQUAGEN LLC" (Attachment 2 to the Memorandum of Understanding filed in this docket), the put strike price is defined in two components:

1. The value of EquaGen's third party business as determined by a mutually agreed expert, and

2. One times the annual cash compensation (comprised of base pay only, excluding incentives and bonuses) of all employees of EquaGen.

*****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION*****

Person Responsible for Response: Andrew Marsh
Title: Vice President, Planning and Financial Communications
Date: December 9, 2009

Q.PSB:EN-27: Enexus will depend on the safe and reliable operation of six merchant nuclear plants, all of which were placed in service between 1971 and 1976 and are now between 33 and 38 years old. While the Board notes that many older nuclear plants, including the VY Station, have improved their capacity factors over the last 15 years, there is little historical data as to the continued reliability of nuclear plants that are over 40 years old from which the Board can assess the likelihood that unplanned outages of significant duration or frequency or actual plant closures will greatly exceed historical norms as these plants continue to age. The ability of Enexus to generate and access necessary funds may be impaired if the reliability of these plants and the revenue and cash flow generated by these plants is significantly less than in the past. The Secured Bank Facility and the reserved secured financing authority provide some assurance in this regard, but they may not always be available in such circumstances, given their restrictive financial covenants. Please address this concern generally and discuss specifically how Enexus would approach a scenario in which two of the plants have ceased operation and the VY Station experiences a significant unplanned outage which will require a large capital investment to remedy. Please provide the Board with any recent analyses relating to the ability of Enexus to withstand a series of adverse events at the same time, including the results of any "stress tests" performed on Enexus.

A.PSB:EN-27: Enexus addresses first the general concern about funding adequacy. Enexus' initial financial position and its financing strategy for the future have been specifically designed to ensure it will have the financial strength and flexibility to support its nuclear facilities, even under stressed economic conditions. Specifically, on the day of the spin Enexus will have approximately $1.9 billion of initial cash and net available liquidity under its Secured Bank Facility and Term LC Facility after estimated support obligations are deducted—together with approximately $800 million of additional secured financing authority that could be used for safety, security and reliability investments as well as other purposes—resulting in a total at the time of spin-off of approximately $2.7 billion under its Secured Bank Facility, Term LC Facility, secured-financing authority and cash on hand.

Given these resources, Enexus will be fully capable financially to continue the safe, secure and reliable operation of its nuclear facilities under a range of reasonably probable stressful circumstances. In fact, in some circumstances Enexus will be more capable than Entergy of continuing such operation because Entergy may be constrained from providing additional financial support for the non-utility nuclear business due to prohibitions on the cross-subsidization of its non-utility activities, the substantial current and future capital needs of Entergy's regulated utility subsidiaries, additional capital needs due to regulatory mandates, credit rating risk, debt covenant restrictions, expected dividends and potential future, storm-restoration costs.

Petitioners next address the question about support available to the VY Station following a hypothetical shutdown of two units. Solely for purposes of responding, Petitioners make the assumption that two of the non-utility nuclear units other than the VY Station are permanently retired in the middle part of this decade. Petitioners will not address either the probability of the assumption that this would occur or the implications of a failure to renew those licenses on the reliability of the grid, emission levels and price levels in wholesale markets.

Assuming for purposes of this question that two units other than the VY Station are permanently retired in the middle of this decade (and that the host state has determined how to resolve the reliability, emissions and other issues attendant to shutdown of those facilities), the public interest concerns raised by that hypothetical event focus on (1) the financial ability of Enexus as compared to Entergy to close and decommission Vermont Yankee and (2) the financial ability of Enexus as compared to Entergy to continue to operate the VY Station in a safe, secure, and reliable manner.

Decommissioning funding and approach will not differ between Enexus and Entergy. For both owners, the existing decommissioning-funding requirements of the NRC is predicated on the assumption that the licenses will not be renewed. Entergy is providing adequate decommissioning-funding assurance for Vermont Yankee in the form of both existing decommissioning-trust funds and a planned parent guarantee in the amount of $40 million. The NRC conducts ongoing oversight of decommissioning-trust funds, and it requested additional information regarding the spent-fuel-management plans and status of decommissioning-funding assurance for the VY Station by letters dated May 20, 2009, June 18, 2009, and September 29, 2009. Detailed responses were provided in letters dated August 13, 2009, August 18, 2009, and October 29, 2009, including a commitment to obtain a Parent Guarantee from Entergy Corporation in the amount of $40 million by December 31, 2009. By its own terms, the Parent Guarantee will terminate after the Enexus spin-off; Enexus will provide a substitute for this assurance, as needed, in the form of a letter of credit or a trust fund with the appropriate amount of assets. The NRC's review of these responses has confirmed the adequacy of current funding assurance and plans.[5] Both owners would retain an obligation to greenfield the site; however, for Enexus that obligation would be supported by financial assurances provided in the MOU, as described further in the Direct Testimony of Dean Keller filed in this docket on October 26, 2009.

Assuming that the continued operation of the VY Station remained cost justified, experience elsewhere demonstrates that under either Enexus' or Entergy's ownership, there would be adequate access to capital to continue to run the VY Station safely, securely, and reliably. Once it became apparent to either Enexus or Entergy that one or more of its units was likely to be permanently retired, the parent would take steps to prepare for that contingency, including potentially substantial revisions to its financing program. As the possibility of retirement increased, either Enexus or Entergy would take steps to manage the non-utility nuclear business

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[5] Decommissioning funds are set aside in segregated trust funds that operate as a "lock-box" even in the event of bankruptcy. The NRC acts to defend trust funds in bankruptcy and relies upon the Supreme Court Case *Midlantic*, which says that bankruptcy courts have to respect public interests under federal law, such as the NRC's public health and safety mandate. *See, e.g., NUREG-1556,* Vol. 15, Chapter 6; *Midlantic National Bank v. New Jersey Dept. of Env't Protection*, 474 U.S. 494, 501 (1986) (a bankruptcy trustee cannot exercise abandonment power in violation of state and federal laws.)

in a way that would maximize the expected value of that business, i.e., focusing on operation of the units other than the unit(s) slated for retirement while avoiding unnecessary capital and other expenditures at that unit. Either owner would also manage its cash flow to address the financial stress of losing the two units and would work to preserve the remaining value of the non-utility nuclear business, including the VY Station.

The difference between the two owners would be apparent if the financial stress caused by closing two units pushed the non-utility nuclear business close to a need for reorganization and recapitalization in bankruptcy. In that situation, Entergy's constraints would almost certainly result in its limiting any additional cash put into the VY Station to the $35 million of inter-company credit facilities already in place to limit the risk of adverse action by either rating agencies or retail regulators in the Gulf South. However, the combination of the $700 million Support Agreement from Enexus and the substantial liquidity of Enexus would provide additional support to the facilities that does not exist today under Entergy.

Either Entergy or Enexus would be able to anticipate the effect of the retirement of one or two units and therefore could act to avoid the types of financial stress that would make bankruptcy a potential option. Assuming that was not possible, the issue for the Board would be the impact on Vermont ratepayers of the assumed scenario, that is, whether the VY Station would continue to run safely, securely and reliably if the non-utility nuclear business were forced to reorganize in bankruptcy.

In the recent past, three merchant generators—NRG Energy, Mirant and Calpine—have undergone bankruptcy reorganization. While each of these companies had significantly higher leverage than Enexus with Total Debt/EBITDA preceding bankruptcy in excess of ten times, each continued to operate its plants normally during reorganization and has emerged as a viable corporate entity. It is the purpose of bankruptcy reorganization to allow a company to continue to operate its business while the courts work through capital-structure issues with creditors and equity holders, and consequently all three of these companies continued to operate their plants reliably and safely during their reorganization periods.[6] For example, Calpine's forced outage rates actually declined from 2006 to 2007 while it was undergoing reorganization, and capacity factors and EBITDA both increased significantly. To Petitioners' knowledge, none of the companies in question experienced significant operational issues during the course of their respective bankruptcy proceedings.

[6] It is not a coincidence that merchant units that are cost effective continue to operate during reorganization in bankruptcy. It is in the interest of the debt holders who effectively control the company to preserve value so they will invariably support the necessary expenditures for safe, secure and reliable operation of profitable units. In addition, the bankruptcy process itself is designed to ensure access to the capital necessary to preserve the value of the business in reorganization. Debtor–in-possession ("DIP") financing is routinely lined up even before a Chapter 11 case is filed since it is critical to the continued operation of the debtor's business once the case is filed. One of the first pleadings filed after a bankruptcy petition is lodged is a motion to approve DIP financing as part of the "First Day Motions and Orders." Typically, the debtor will have arranged financing to ensure that it can continue to pay its employees and run it operations. The bankruptcy courts understand that DIP financing is essential to preserving the value of the estate and routinely approve DIP motions early in the case.

In the final analysis, a profitable VY Station will continue to operate safely, securely and reliably under either Enexus or Entergy even in the extreme situation of a reorganization in bankruptcy. Overall both owners would effectively manage and finance both decommissioning of the retired units and continued operation of the VY Station and the remaining non-utility units; however, Enexus would be somewhat better for Vermont because it will provide greater committed financial support.

Attached please find copies of Petitioners' responses to questions 4 and 5 and questions 6 and 7 served in Enexus' NYPSC proceeding on Monday, November 30, 2009, which include stress-scenario analyses, regulatory orders governing Entergy's Gulf States utilities and other financial scenarios:

- Attachment A.PSB:EN-27.1 (Response to ALJ Questions 4 & 5, Stress Scenario Analysis (Nov. 28, 2009)) (confidential)
- Attachment A.PSB:EN-27.2 (ALJ-4/5—Summary of Entergy Scenario Analyses (Appendix 1) (Nov. 2009)) (confidential)
- Attachment A.PSB:EN-27.3 (ALJ-4/5— Entergy Regulatory Commission Orders (Appendix 2) (Nov. 2009))
- Attachment A.PSB:EN-27.4 (ALJ-4/5—Scenario Summary (Sept. 17, 2009) (Appendix 3 & 4) (Nov. 2009) (confidential)
- Attachment A.PSB:EN-27.5 (ALJ-4/5—New Enexus Scenario Financials (Appendix 5) (Nov. 2009) (confidential)
- Attachment A.PSB:EN-27.6 (ALJ-4/5—Entergy Scenarios Financials (Appendix 6) (Nov. 2009) (confidential)
- Attachment A.PSB:EN-27.7 (Response to ALJ Questions 6 & 7 (Nov. 30, 2009)) (confidential)
- Attachment A.PSB:EN-27.8 (ALJ-6/7—Entergy Consolidated Additional Investment, Previous-Prices Scenarios (Nov. 30, 2009)) (confidential)
- Attachment A.PSB:EN-27.9 (ALJ-6/7—Entergy Consolidated Additional Investment, Current-Prices Scenarios (Nov. 30, 2009)) (confidential)
- Attachment A.PSB:EN-27.10 (ALJ-6/7—Enexus Additional Investment, Current Market Scenarios (Nov. 30, 2009)) (confidential)

- Attachment A.PSB:EN-27.11 (ALJ-6/7—Enexus Additional Investment, Previous-Prices Scenarios (Nov. 30, 2009)) (confidential)

Public, redacted versions of ALJ-4/5 and ALJ-6/7, with appendixes, are produced here as Attachment A.PSB:EN-27.12 (Public Response to ALJ-4/5, Stress Scenario Analysis (Nov. 28, 2009)) and Attachment A.PSB:EN-27.13 (Public Response to ALJ-6/7 (Nov. 30, 2009)).

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-28: The tables depicting forward power contracts on pages 83-85 of the Form 10 show a declining trend for output sold forward. Please elaborate. How does this downward trend square with the assumption on page 104 of continued stability in Enexus cash flows?

A.PSB:EN-28: The declining trend in the sold forward or contracted energy sales depicted on pages 83-85 of the Enexus' SEC Form 10 is consistent with Entergy's overall hedging strategy. Enexus and Entergy's hedging strategy takes into consideration a variety of factors, including long-term power-purchase agreements with key load-serving entities, maintaining sufficient credit quality and adequate liquidity, as well as our point of view on future market-power prices and how this point of view compares to the price and terms offered by hedge counterparties, among other things.

Enexus has articulated a strategy to hedge its planned generation over a several year horizon with specific focus on hedging approximately 50% or more in the ensuing three years. We anticipate that approximately 75% or more of our total planned generation will be hedged in the prompt year. The amount of our hedges decline over time because as one moves farther into the future the number of counterparties interested in engaging in forward sales declines. With this decline in competition comes a widening of the bid/offer spread, and ultimately Enexus is not willing to accept the discount necessary to entice counterparties to trade meaningful volumes in these distant periods. In addition, this decline in the amount of hedges over the long term is designed to ensure that Enexus balances the risks associated with price volatility and maintaining its liquidity flexibility. As market prices of energy increase, so would the cash collateral required to be posted in connection with hedging activities.

Conversely, as a specific year draws closer, Enexus expects to sell additional volumes forward to meet hedging targets. Adding layers of hedges at various power prices in the several years preceding the year of delivery allows Enexus to anticipate future revenues at an "average" power price, creating stability and foresight in our future cash flows. Entergy has consistently met its hedging targets utilizing this hedging strategy.

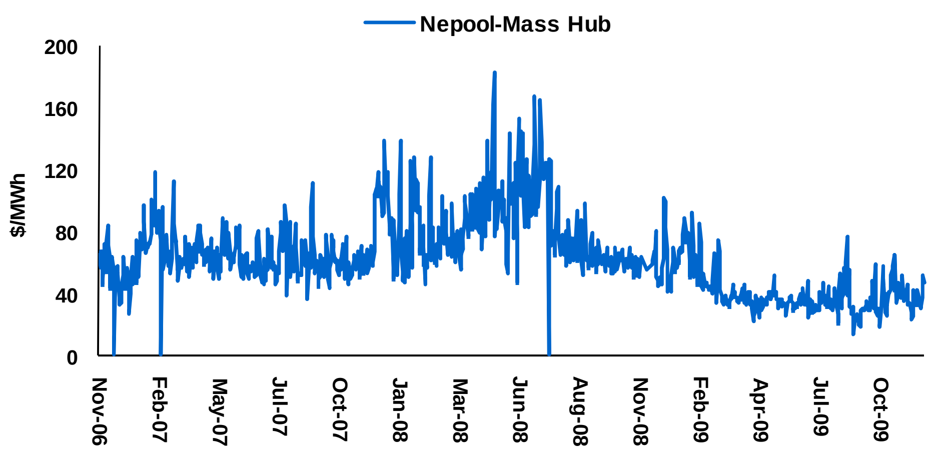
While, Enexus would prefer to sell forward all of its expected production at the top of the market, such a hope is unrealistic given the uncertainty and volatility of the market. Also, longer-duration transactions require special credit provisions since the size of market-to-market moves and the amount of capital capacity that might be tied up with them is prohibitive.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

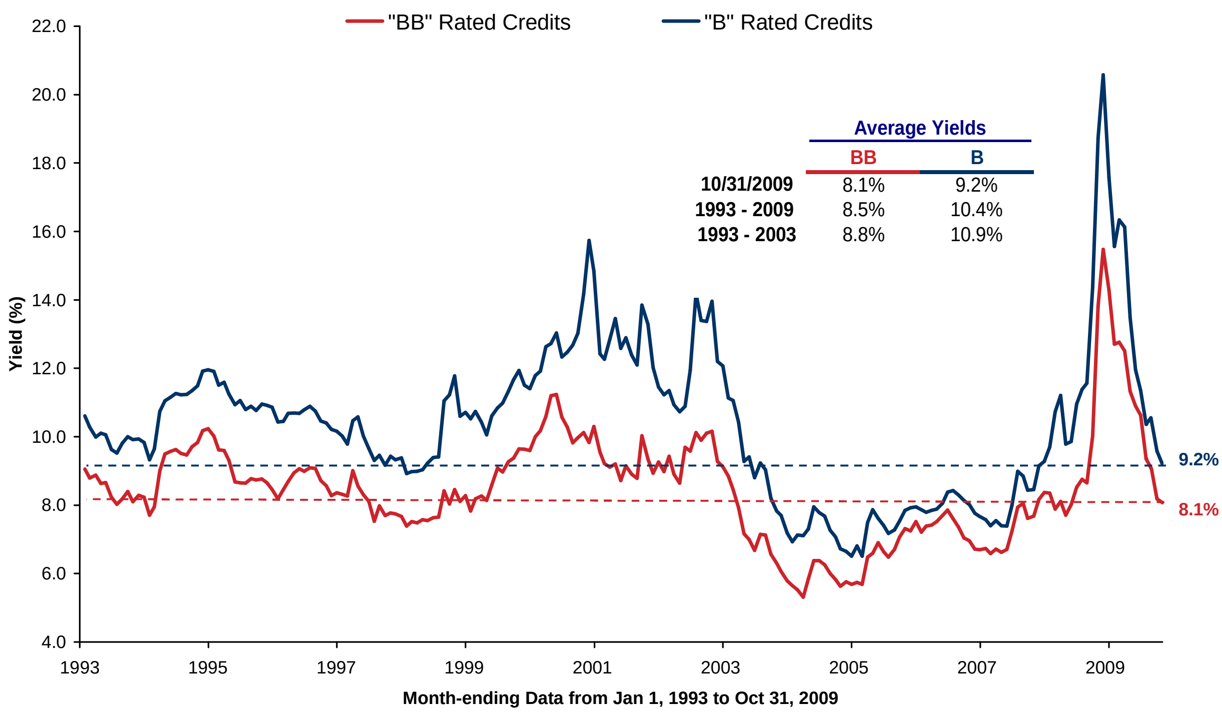
Q.PSB:EN-29: Four of the six nuclear plants are subject to relicensing risks between now and the first quarter of 2011 (see p. 102 of Form 10). Due to current economic conditions, the market for independent power is lower than in the recent past, and the timing of any significant increase in market prices appears uncertain. In addition, conditions in the financial markets have not returned to normal, and interest rates and spreads for non-investment grade debt are still significantly higher than when the original petition in this docket was filed. Hedge counterparty risks appear greater and more difficult to assess than it seemed at the time the original petition was filed, especially as traditional criteria like credit ratings have proven to be unreliable in any cases. Given these circumstances and conditions, the potential risks and costs for Enexus, and indirectly EVY, of the debt transactions associated with the spin-off would appear, based on available information, to be higher than might be the case two or three years from now, regardless of Enexus' ability to place $3.5 billion of unsecured debt under current market conditions. Please explain the proposed timing of the spin-off transaction with these considerations in mind.

A.PSB:EN-29: As a preliminary matter, Petitioners wish to clarify three matters raised in the question. First, the "first quarter of 2011," as referenced in the first sentence of Q.PSB:EN-29, is Petitioners' estimate of when all of the four remaining license-renewal approvals for Vermont Yankee, Pilgrim, Indian Point 2, and Indian Point 3 will be completed by the NRC. The current NRC license-expiration dates for those units range from March 2012 to December 2015.

Second, the question states that "the market for independent power is lower than in the recent past."



While power prices may be lower today than they were two years ago (see power-price chart above), Enexus, as a nuclear generator, has very low running costs and is being capitalized in a conservative manner. Both factors enable the company to thrive in any reasonable commodity environment. Most importantly, power prices impact Entergy's non-utility nuclear business in the same way regardless of whether it is owned by Entergy or part of a stand-alone company (Enexus). Also, Enexus' initial financial position and its financing strategy for the future have been specifically designed to ensure it would have the financial strength and flexibility to support its nuclear facilities, even under stressed economic conditions including pressure from increases in market prices. Specifically, Enexus will have, at the time of spin-off, approximately $2.7 billion in available liquidity under its Secured Bank Facility, Term LC Facility, additional secured-financing authority and cash on hand. Third, the question states that "financing markets have not returned to normal . . . ." This implies that the financing market in 2006/2007 represents "normal," which is not the case. The chart below shows that interest-rate yields on broad-based indexes of BB and B rated companies have returned to historical average levels.



During the second quarter of 2009, high-yield bond issuance experienced the third highest volume since 1998 and was 87% greater than the ten-year average-quarterly volume of $27 billion. High-yield issuance in the third quarter was approximately the same as the second quarter. Year-to-date in 2009, the market has had significant new issuance, with nearly $150 billion in high yield bonds issued so far according to The Prospect News High Yield Daily[7] versus $38 billion in 106 deals in all of 2008.

Vermont and Entergy share a common economic interest and desire for Enexus to have adequate financial resources to operate the nuclear facilities safely, securely and reliably. Accordingly,

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[7] See *The Prospect News High Yield Daily*, Thursday December 3, 2009.

Entergy's duty to its shareholders gives it every incentive to see that Enexus starts off as a strong company and continues to be such. Entergy continually assesses market conditions and re-assesses the value of the spin-off transaction and continues to believe the transaction will benefit both Vermont ratepayers and Entergy shareholders through the creation of an entity that will be more management focused, market competitive, financially flexible and successful over the long term than would be possible under Entergy.

An unstated premise apparently underlying the Board's question with respect to the timing of the spin-off of Enexus is that Entergy is largely unconstrained in its ability to provide financial support for EVY if Entergy continued its ownership and if EVY and/or other Entergy non-utility nuclear units had to contend with the risks and possible problems suggested in the question. Those risks and possible problems will be discussed shortly, but Petitioners first want to address the apparent premise, which is incorrect.

Entergy has very real and, in some reasonably probable circumstances, binding constraints on its ability to support its non-utility nuclear subsidiaries, including EVY. In some circumstances, the fiduciary obligations of Entergy's management to its Gulf States regulators and to its shareholders could prevent Entergy from making reliability or other investments in its non-utility nuclear plants. In fact, a number of Entergy's regulatory settlement agreements expressly impose restrictions on its ability to allocate financial resources to its non-utility entities. Copies of those regulatory agreements are provided in Attachment A.PSB:EN-29 (Entergy Regulatory commission Orders (Dec. 2009)), which is a revised version of Attachment A.PSB:EN-27.3. Additional constraints include: the substantial current and future needs of Entergy's regulated utility subsidiaries; additional capital needs due to regulatory mandates; potential future storm-restoration costs; investor expectations of dividends; the possibility that Entergy's credit rating might be downgraded due to Entergy's ownership of its non-utility business; and debt-covenant restrictions. These constraints are particularly likely to hinder Entergy's funding of its non-utility activities in the event that Entergy is hit by any of the relicensing, power price or other risks mentioned in the Board's question. Thus, Entergy's continuing ownership of EVY cannot always be counted on to provide a refuge from the risks and possible problems suggested in the Board's question.

Enexus, in contrast to Entergy, will be focused on its non-utility generation activities, will be free of many of the constraints affecting Entergy and has planned for the liquidity and contractual access to additional liquidity needed to assure its ability to finance all economically viable investments. In A.PSB:EN-27, Petitioners have addressed Enexus' ability to meet the possible financing needs of EVY in a scenario that assumes the closure of two of the other Enexus plants. Petitioners have also performed extensive analyses of Enexus' ability to meet its financing needs in nineteen other scenarios, including scenarios assuming combinations of adverse events and an extreme capital expenditure requirement of $200 million per year extending for twelve years. See Attachment A.PSB:EN-27.7 (confidential). Those scenarios, portions of which are designated as confidential, are included as Attachments A.PSB:EN-27.1 to 27.2 and Attachments A.PSB:EN-27.4 to 27.11. In all of these scenarios, Enexus is able to meet the capital needs presumed in the scenario drawing only on its cash flows, planned liquidity balances and contractual access to liquidity. Enexus' planned additional $800 million in secured borrowing authority, its possible utilization of additional unsecured borrowing and the issuance of equity are all further resources that remain in reserve in all of the scenarios analyzed.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-30: Enexus acknowledges that the extent to which it is leveraged and its resulting credit rating could limit its ability to obtain additional financing as needed in the future (see p. 35 of Form 10). To the extent it remains available and Enexus is in compliance with applicable covenants, the Secured Bank Facility and the reserved secured financing authority would appear to provide an important funding source for Enexus. There remains concern, however, with respect to (i) Enexus' potential ability to refinance $4.0 billion in aggregate of debt, a portion of which it now appears may begin to mature in 2015 or earlier, and (ii) Enexus' ability to obtain funds for significant capital improvements at VY Station that are necessary to maintain the plant's reliability in the event of a significant deterioration of Enexus' financial circumstances due to other plant closures or outages, low power prices, financial market conditions or other factors.

Such concerns have been heightened by the turmoil in, and nearly complete breakdown of, the financial markets beginning last September. To a significant degree, Enexus will be dependent on a well-functioning market for non-investment grade debt as it seeks to refinance its unsecured debt or needs to obtain additional financing to meet other exigencies. Conditions in the financial markets appear to have become more normal in recent months, and the successful placement by Enexus of $3.5 billion in unsecured debt in 2010 would seemingly provide additional evidence of continuing improvements in the financial markets. Nevertheless, the U.S. has experienced a period of almost two years in which the market for new issuances of non-investment grade debt has been extraordinarily weak (dating back several months at least prior to the events of September 2008). While such a contingency is hopefully unlikely, it is difficult to ignore the possibility that another financial crisis could limit Enexus' ability to obtain necessary financing for a period of two years or more. If such an extended market breakdown occurred during a period in which Enexus needed to refinance its unsecured debt or needed to finance a significant capital improvement while it was not in compliance with its financial covenants under the Secured Bank Facility, please describe how Enexus would respond.

A.PSB:EN-30: Petitioners address first the Board's concern about Enexus' ability to refinance $4.0 billion of unsecured debt. Enexus expects to minimize its refinancing risk by having a staggered and sufficiently long-term loan portfolio. As discussed in A.PSB:EN-11, the $4.0 billion of unsecured bonds are expected to be issued in various amounts with varying maturities ranging from *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** years. Enexus expects half of the issuances to have maturities over *****BEGIN CONFIDENTIAL INFORMATION***** [redacted] *****END CONFIDENTIAL INFORMATION***** years. Staggering the maturities ensures that Enexus will not have to refinance the entire $4.0 billion at once, thereby mitigating its refinancing exposure.

In addition, it should be noted that in the forty-four calendar quarters since 1999, there have been only six quarters with less than $10 billion of high-yield-bond issuance as a result of market dislocation[8] (see Attachment A.PSB:EN-30 (Confidential, Third-Party Vendor Proprietary

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[8] *See* Thomson Financial and Dealogic.

Information)). In five cases, the following two quarters had at least $30 billion of combined high-yield bond issuance, which indicates that markets do not stay closed for long. Most recently, the fourth quarter of 2008 was the worst quarter ever in terms of high-yield-bond issuance, with only $1.3 billion of total non-investment-grade-bond issuance. Yet to date in 2009, the market has had significant new issuance, with nearly $150 billion in high-yield bonds issued so far according to The Prospect News High Yield Daily[9]. This historical data implies that Enexus should be able to manage its financing risk even in the face of a difficult financing market.

The refinancing risk is further mitigated through Enexus' financial strength and flexibility. As discussed in A.PSB:EN-27, Enexus will, on the day of the spin, have approximately $2.7 billion under its Secured Bank Facility, Term LC Facility, secured-financing authority and cash on hand that could be used for safety, security and reliability investments as well as other purposes. This total comprises approximately $1.9 billion of initial cash and net available liquidity under its Secured Bank Facility and Term LC Facility after estimated support obligations are deducted together with approximately $800 million of additional secured-financing authority. The fact that Enexus could obtain its credit facility, despite seeking it in the most challenging market conditions in decades, gives Petitioners confidence that, should it be needed, the $800 million of allowed additional secured financing would be available on reasonable terms even in difficult market conditions. In sum, Enexus' significant liquidity and its authority to issue additional secured debt are further important factors in minimizing its refinancing risk.

Second, we address the Board's concern with Enexus' ability to obtain funds for significant capital improvements at the VY Station in the event of a significant deterioration of Enexus' financial circumstances due to other plant closures or outages, low power prices, financial market conditions or other factors. Enexus' initial financial position and its financing strategy for the future have been specifically designed to ensure it will have the financial strength and flexibility needed to support its nuclear facilities, even under stressful economic conditions. As described above, at the time of spin-off Enexus will have approximately $2.7 billion of available liquidity and secured financing authority. Given these resources, Enexus will be fully capable financially to support its nuclear facilities under a range of reasonably probable stressful circumstances.

To test the robustness of Enexus' financial support beyond the spin-off date, Petitioners have analyzed Enexus financing capability in a number of stressful scenarios involving adverse operating circumstances, adverse market conditions and combinations thereof, similar to the circumstances described by the Board herein (see the scenario analyses produced in A.PSB:EN-27). These scenario analyses demonstrate that Enexus will have the financial resources to operate its nuclear facilities (including EVY) under a wide range of extremely challenging and stressful conditions and will bounce back quickly from such conditions. Specifically, under all scenarios, Enexus is forecasted to have adequate liquidity and secured financing authority in all

[9] *See The Prospect News High Yield Daily*, Thursday December 3, 2009

years of the forecast period with which to continue the safe, secure and reliable operation of its nuclear facilities including the VY Station.

Finally, Petitioners address the Board's concern regarding Enexus' ability to provide financial support to its nuclear subsidiaries in extremely difficult market conditions while it was not in compliance with its financial covenants under the Secured Bank Facility. As discussed in A.PSB:EN-27, if faced with this type of stressful situation, Enexus' management could and most likely would take steps to ensure that the company retained adequate liquidity to keep its nuclear facilities operating safely, securely and reliably.

The steps that Enexus could take in these types of stressful scenarios include renegotiating the terms of the Secured Bank Facility, including the covenants contained in the current agreement, to provide more financial flexibility. Enexus could also strengthen its liquidity in stressful situations by issuing secured bonds. Because all relevant stress scenarios assume that the investment for which the posited additional capital is needed is economic and cost-effective, the expected cash flow stream provided by the continuing operation of some or all of Enexus' plants would give value to those plants and provide assurance of the payment of interest and repayment of principal to secured lenders. As a result, it is highly likely that the secured debt market would be an available source of financing.

Additionally, Enexus could issue equity to raise funds needed to operate its plants in a safe, secure and reliable fashion. Markets for additional equity are available in a wide variety of stress situations because the risk surrounding the investment is reflected in the issue price, thereby providing attractive returns to buyers. The issuance of new equity therefore would be another option available to Enexus' management.

These and other options that Enexus has to manage its finances reinforce the conclusion that Enexus will be capable in a broad array of financially stressful circumstances to continue the safe, secure and reliable operation of its nuclear facilities. Enexus has multiple financing tools at hand for maintaining adequate liquidity even when faced with financially stressful situations

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009

Q.PSB:EN-31: A series of financing innovations were critical to the creation of a significant market for non-investment grade debt in the early 1980s. However, the creation and growth of this market has coincided with a three-decade period of unprecedented net capital inflows into the United States, which would appear, at least indirectly, to have contributed to the flourishing of this market and the relative modesty of the interest rate spreads between investment grade and non-investment grade debt. Many economists believe that the current economic crisis will ultimately require or result in a dramatic global readjustment and reversal of current trade and investment flows. If a reversal of net capital flows into and out of the U.S. were to occur, what do the petitioners and their investment advisors believe would be the consequences for the market in non-investment grade debt of U.S. issuers and for Enexus' ability to obtain necessary refinancing or funding on a financially acceptable basis?

A-PSB:EN-31: The possible consequences of a possible global disinvestment in the U.S. capital markets for the non-investment-grade segment and for Enexus in particular have not been modeled or forecasted. However, neither the Petitioners nor their advisors are aware of any studies suggesting that the non-investment-grade (or high yield) market would be severely affected by a diminution or reversal of global funds flows into the U.S.

Petitioners note that foreign buyers typically focus on U.S. government bonds rather than non-investment-grade bonds. According to the U.S. Treasury, foreigners own about $3.5 trillion of U.S. Treasury debt (excluding government agencies) as of September 30, 2009, an amount larger than the entire U.S. high-yield market at $1.0-1.2 trillion.[10] And, according to the Securities Industry and Financial Markets Association, the primary investors in high-yield bonds are instead insurance companies, mutual-fund companies, fund-management groups within banks and pension funds and, to a lesser extent, hedge funds and individual investors. While the markets are segmented to some extent, a reversal of net capital flows into the U.S. might increase the level of interest rates on government bonds and hence on bonds in general. There could conceivably be other effects. However, neither Petitioners nor their advisors have seen studies suggesting that a change in global flows to the U.S. would cause the non-investment-grade debt market in the U.S. to dry up or that such a change would render Enexus unable to obtain financing on an acceptable basis. In fact, as described in A.PSB:EN-30, in the forty-four calendar quarters since 1999, there have been only six quarters with less than $10 billion of high-yield-bond issuance as a result of market dislocation.[11] In five cases, the following two quarters had at least $30 billion of combined high-yield-bond issuance, which indicates that markets do not stay closed for long. Most recently, the fourth quarter of 2008 was the worst quarter ever in terms of high-yield-bond issuance, with only $1.3 billion of total non-investment-grade-bond issuance. Yet to date in 2009, the market has had significant new issuance, with nearly $150 billion in high-yield bonds issued so far according to The Prospect News High Yield Daily.[12]

[10] Source: Data360.org.

[11] Per Thomson Financial and Dealogic.

[12] *See The Prospect News High Yield Daily*, Thursday December 3, 2009.

Person Responsible for Response: Dean Keller
Title: Executive Vice President, Finance
Date: December 9, 2009